

## **REPORT TO COUNCIL: 28 AUGUST 2020**

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### **2019/2020 FOURTH ADJUSTMENT BUDGET REPORT**

#### **1. PURPOSE**

The purpose of the report is for Council to **consider** and **approve** the fourth adjustment budget report of Buffalo City Metropolitan Municipality for the 2019/2020 financial year in terms of section 28 of the MFMA.

#### **2. AUTHORITY**

Buffalo City Metropolitan Council.

#### **3. LEGAL / STATUTORY REQUIREMENTS**

The Constitution of the Republic of South Africa, 1996

Municipal Finance Management Act No 56, 2003 Chapter 4, Section 28

Municipal Budget and Reporting Regulations, 2009

#### **4. BACKGROUND**

In terms of Section 28, of the Municipal Finance Management Act No. 56, 2003, Chapter 4, the following applies: -

*(1) "A municipality may revise an approved annual budget through an adjustment budget.*

*(2) An adjustments budget—*

*a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;*

*b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;*

*c) may, within a prescribed framework, authorise unforeseeable and*

*unavoidable expenditure recommended by the mayor of the municipality;*

- d) may authorise the utilisation of projected savings in one vote towards spending under another vote;*
- e) may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;*
- f) may correct any errors in the annual budget; and*
- g) may provide for any other expenditure within a prescribed framework.*

*(3) An adjustments budget must be in a prescribed form.*

*(4) Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.*

*(5) When an adjustments budget is tabled, it must be accompanied by—*

- a) an explanation how the adjustments budget affects the annual budget;*
- b) a motivation of any material changes to the annual budget;*
- c) an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and*
- d) any other supporting documentation that may be prescribed.*

*(6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.*

*(7) Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.”*

This report responds to the above sections of MFMA (28(2)(f)) and its format follows the legislative requirements of the Municipal Budget and Reporting Regulations (Schedule B format).

## **5. EXPOSITION OF FACTS**

The fourth adjustment budget is being prepared for the purpose of correcting identified errors in the annual budget that are mostly as a result of misallocations made during the 2019/2020 financial year. These errors could not be detected during the financial year when departments were transacting as they are a result of the incorrect understanding and interpretation of the accounting standards and accounting policy relating to the requirements that must be met for the recognition of an asset. The complexity of some of the transactions makes it difficult to have a clear determination whether it is an operating or a capital transaction. Some of the misallocations were within capital and / operating budget but between expenditure types and votes. It is necessary to correct these misallocations to reduce / eliminate unauthorised expenditure that is reported in the Annual Financial Statements. This adjustment budget also seeks to address the unauthorised expenditure that has been identified, through re-allocation of funds from where there are savings to overspent votes. This process also assists in improving the City's expenditure performance.

An intensive process of assessing the transactions allocated to the capital budget was undertaken and such misallocations were detected and are being corrected in line with the requirements of section 28(2) (f) of the MFMA. This process is in line with the Metro's Budget Management Policy, MBRR and MFMA and other National Treasury guidelines such as MFMA Budget Circulars.

The following table provides a high-level summary of the Operating and Capital Budget Adjustments:

A. The following table provides a high-level summary of the Operating and Capital Budget Adjustments for the Parent Municipality (BCMM):

OPERATING AND CAPITAL BUDGET EXPENDITURE	2019/2020	2019/2020		2019/2020	2020/2021	2021/2022
	MID-YEAR	THIRD	ADJUST.	FOURTH	FINAL	FINAL
	ADJ. BUDGET	ADJ. BUDGET		ADJ. BUDGET	BUDGET	BUDGET
<b>Total Revenue</b>	7,051,262,244	7,058,662,244	2,214,033	7,060,876,277	7,590,428,912	8,174,282,712
<b>Total Operating Expenditure Excluding Operating Projects</b>	6,634,200,563	6,634,200,563	0	6,634,200,563	7,140,236,966	7,652,677,978
<b>Operating Projects</b>	416,159,483	423,559,483	2,214,033	425,773,516	449,119,371	520,352,948
<b>Total Operating Expenditure Including Operating Projects</b>	7,050,360,046	7,057,760,046	2,214,033	7,059,974,079	7,589,356,337	8,173,030,926
<b>Surplus / (Deficit)</b>	902,198	902,198	0	902,198	1,072,575	1,251,786
<b>Total Capital Expenditure</b>	1,898,528,248	2,231,128,248	-4,514,033	2,226,614,215	1,883,649,555	2,002,097,572
<b>Total Opex and Capex Budget</b>	8,948,888,294	9,288,888,294	-2,300,000	9,286,588,294	9,528,505,892	10,235,328,498

B. The following table provides a high-level summary of the Consolidated Operating and Capital Budget Adjustments:

OPERATING AND CAPITAL BUDGET EXPENDITURE	2019/2020	2019/2020		2019/2020	2020/2021	2021/2022
	MID-YEAR	THIRD	ADJUST.	THIRD	FINAL	FINAL
	ADJ. BUDGET	ADJ. BUDGET		ADJ. BUDGET	BUDGET	BUDGET
<b>Total Revenue</b>	7,138,786,183	7,146,186,183	2,214,033	7,148,400,216	7,642,810,411	8,228,617,399
<b>Total Operating Expenditure Excluding Operating Projects</b>	6,716,422,504	6,716,422,504	0	6,716,422,504	7,191,232,493	7,705,033,563
<b>Operating Projects</b>	416,159,483	423,559,483	2,214,033	425,773,516	449,119,371	520,352,948
<b>Total Operating Expenditure Including Operating Projects</b>	7,132,581,987	7,139,981,987	2,214,033	7,142,196,020	7,640,351,864	8,225,386,511
<b>Surplus / (Deficit)</b>	6,204,196	6,204,196	0	6,204,196	2,458,547	3,230,888
<b>Total Capital Expenditure</b>	1,900,810,250	2,233,410,250	-4,514,033	2,228,896,217	1,936,159,755	2,054,858,792
<b>Total Opex and Capex Budget</b>	9,033,392,237	9,373,392,237	-2,300,000	9,371,092,237	9,576,511,619	10,280,245,303

Further details on exposition of facts are detailed below for the Consolidated adjustments in the prescribed format.

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## ABBREVIATIONS AND ACRONYMS

AMR	Automated Meter Reading	EU	European Union
ASGISA	Accelerated and Shared Growth Initiative South Africa	ELIDZ	East London Industrial Development Zone
BCMM	Buffalo City Metropolitan Municipality	FBS	Free Basic Services
BCMDA	Buffalo City Development Agency	FMG	Finance Management Grant
BEPP	Built Environment Performance Plan	GAMAP	Generally Accepted Municipal Accounting Practice
BSC	Budget Steering Committee	GDP	Gross Domestic Product
CBD	Central Business District	GFS	Government Financial Statistics
CFO	Chief Financial Officer	GRAP	Generally Recognized Accounting Practice
CM	City Manager	HR	Human Resources
CoGTA	Cooperative Government & Traditional Affairs	HSDG	Human Settlement Development Grant
CPI	Consumer Price Index	HSRC	Human Science Research Council
CRRF	Capital Replacement Reserve Fund	ICDG	Integrated City Development Grant
DBSA	Development Bank South Africa	IDP	Integrated Development Plan
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism	INEP	Integrated National Electrification Programme
DoRA	Division of Revenue Act	IT	Information Technology
DRDLR	Department of Rural Development and Land Reform	ISUPG	Informal Settlements Upgrading Partnership Grant
DTI	Department of Trade & Industry	KPI	Key Performance Indicator
DWA	Department of Water Affairs	kℓ	Kilolitre
ECDC	Easter Cape Development Corporation	KFA	Key Focus Area
EE	Employment Equity	Km	Kilometre
EEDSM	Energy Efficiency Demand Side Management	KPA	Key Performance Area

EM	Executive Mayor	kWh	Kilowatt hour
EPWP	Expanded Public Works Programme	ℓ	Litre
ECPTA	Eastern Cape Parks & Tourism	LED	Local Economic Development
MBRR	Municipal Budgeting and Reporting Regulations	PPP	Public Private Partnership
MDGS	Metro Growth and Development Strategy	PT	Provincial Treasury
MEC	Member of the Executive Committee	PMS	Performance Management System
MFMA	Municipal Finance Management Act	PTIS	Public Transport Infrastructure System
MIG	Municipal Infrastructure Grant	SALGA	South African Local Government Association
MMC	Member of Mayoral Committee	SAT	South African Tourism
MPRA	Municipal Property Rates Act	SDBIP	Service Delivery Budget Implementation Plan
MSA	Municipal Systems Act	SDF	Spatial Development Framework
MTEF	Medium-term Expenditure Framework	SMME	Small Micro and Medium Enterprises
MTREF	Medium-term Revenue and Expenditure Framework	TRAs	Temporary Relocation Areas
NDPG	Neighbourhood Development Partnership Grant	UK	United Kingdom
NERSA	National Electricity Regulator South Africa	US	United States
NGO	Non-Governmental Organisations	USDG	Urban Settlement Development Grant
NKPIs	National Key Performance Indicators	VAT	Value Added Tax
NT	National Treasury	WSA	Waster Services Authority
OP	Operational Plan	WSDP	Water Services Development Plan
PPE	Property, Plant and Equipment		



## **PART 1 – ADJUSTMENT BUDGET**

### **5.1 EXECUTIVE MAYOR’S REPORT**

The 2019/2020 fourth adjustment emanates from the re-alignment of budgetary provision (funding sources, transfers, misallocations and reallocation between votes), which could not be foreseen during the financial year. Moreover, the majority of these budgetary alignments are as result of projects that were budgeted under capital projects but due to asset capitalisation process, they were deemed to be operational in nature. Some of the misallocations were within capital and / operating budget but between expenditure types and votes. It is necessary to correct these misallocations to reduce / eliminate unauthorised expenditure that is reported in the Annual Financial Statements. This adjustment budget also seeks to address the unauthorised expenditure that has been identified, through re-allocation of funds from where there are savings to overspent votes.

These errors could not be detected during the financial year when departments were transacting, and they are as a result of the inappropriate understanding and interpretation of the accounting standards and accounting policy relating to the requirements that must be met for an asset. An intensive process of assessing the transactions allocated to the capital budget was undertaken as part of financial year end procedures and yielded to the detection of such errors. A thorough analysis and stringent internal control is being put in place to eliminate such from reoccurrence through an inter-departmental collaboration effort of detecting controls. The City has established the Asset Management Unit which will play a vital role on asset management planning and capitalisation process, however, the unit is still under resourced. Once the unit is fully resourced, it is envisaged that it will assist in drastically reducing the expenditure misallocations that are done at planning as well at implementation stage of infrastructure investments.

The following table provides a high-level summary of the Operating and Capital Budget adjustments:

**Table 1: High Level Summary of Consolidated Operating and Capital Budget Adjustments**

OPERATING AND CAPITAL BUDGET EXPENDITURE	2019/2020 MID-YEAR ADJ. BUDGET	2019/2020 THIRD ADJ. BUDGET	ADJUST.	2019/2020 FOURTH ADJ. BUDGET	2020/2021 FINAL BUDGET	2021/2022 FINAL BUDGET
<b>Total Revenue</b>	<b>7.138.786.183</b>	<b>7.146.186.183</b>	<b>2.214.033</b>	<b>7.148.400.216</b>	<b>7.642.810.411</b>	<b>8.228.617.399</b>
<b>Total Operating Expenditure</b>	<b>7.132.581.987</b>	<b>7.139.981.987</b>	<b>2.214.033</b>	<b>7.142.196.020</b>	<b>7.640.351.864</b>	<b>8.225.386.511</b>
<b>Surplus / (Deficit)</b>	<b>6.204.196</b>	<b>6.204.196</b>	<b>0</b>	<b>6.204.196</b>	<b>2.458.547</b>	<b>3.230.888</b>
<b>Total Capital Expenditure</b>	<b>1.900.810.250</b>	<b>2.233.410.250</b>	<b>-4.514.033</b>	<b>2.228.896.217</b>	<b>1.936.159.755</b>	<b>2.054.858.792</b>
<b>Total Opex and Capex Budget</b>	<b>9.033.392.237</b>	<b>9.373.392.237</b>	<b>-2.300.000</b>	<b>9.371.092.237</b>	<b>9.576.511.619</b>	<b>10.280.245.303</b>

## 5.2 COUNCIL RESOLUTIONS

On 29 May 2019 the Council of Buffalo City Metropolitan Municipality met to consider, approve and adopt the 2019/20 – 2021/22 MTREF Budget. The Council further met on 23 August 2019 to consider and approve the roll-over adjustment budget. On the 26<sup>th</sup> February 2020 the Council met to consider and approve the mid-year adjustment budget. On the 12<sup>th</sup> June 2020 the Council met to consider and approve the third adjustment budget. In terms of Chapter 4, Section 28 (1) to (7) of the Municipal Finance Management Act No. 56 of 2003, “A municipality may adjust an approved budget through an adjustment budget.”

It is therefore recommended that the BCMM Council **considers and approves:**

A. The adjusted budget of the Parent municipality (BCMM) for the 2019/2020 Fourth Adjustment Budget as follows:

- i. The adjustment from R7 058 662 244 to R7 060 876 277 of the BCMM 2019/20 Operating Revenue Budget.
- ii. The adjustment from R7 057 760 046 to R7 059 974 079 of the BCMM 2019/20 Operating Expenditure Budget.
- iii. The adjustment from R2 231 128 248 to R2 226 614 215 of the BCMM 2019/20 Capital Budget.

B. The consolidated adjusted budget for the 2019/2020 Fourth Adjustment Budget as follows:

- i. The adjustment from R7 146 186 183 to R7 148 400 216 of the consolidated 2019/20 Operating Revenue Budget.
- ii. The adjustment from R7 139 981 987 to R7 142 196 020 of the consolidated 2019/20 Operating Expenditure Budget.
- iii. The adjustment from R2 233 410 250 to R2 228 896 217 of the consolidated 2019/20 Capital Budget.



**X. A. PAKATI**  
**EXECUTIVE MAYOR**

18/08/2020.  
**DATE**

### **5.3 EXECUTIVE SUMMARY**

BCMM continues to take a more conservative approach in the manner in which it approaches the budgeting including this fourth adjustment budget. The 2019/2020 fourth adjustment emanates from the re-alignment of budgetary provision (funding sources, transfers, misallocations and reallocation between votes), which could not be foreseen during the financial year. Moreover, the majority of these budgetary alignments are as result of projects that were budgeted under capital projects but due to asset capitalisation process, they were deemed to be operational in nature. The adjustment budget also seeks to address the unauthorised expenditure that has been identified, through re-allocation of funds from where there are savings to overspent votes.

The operating revenue budget has increased by R2 214 033 from R7 146 186 183 to R7 148 400 216 (refer to section 5.4 below for details). The operating expenditure budget has also increased by R2 214 033 from R7 139 981 987 to R7 142 196 020 (refer to section 5.5 below for details). The capital budget has reduced by R4 514 033 from R2 233 410 250 to R2 228 896 217 (refer to section 5.6 below for details).

### 5.3.1 Budget Adjustment Summary

The main reason for this adjustment budget is to effect realignments and misallocations in the 2019/2020 annual budget. The table below indicates the summary of the 2019/2020 fourth budget adjustment.

**Table 2: 2019/20 Consolidated Fourth Adjustment Budget Summary**

OPERATING AND CAPITAL BUDGET EXPENDITURE	2019/2020	2019/2020		2019/2020	2020/2021	2021/2022
	MID-YEAR	THIRD	ADJUST.	THIRD	FINAL	FINAL
	ADJ. BUDGET	ADJ. BUDGET		ADJ. BUDGET	BUDGET	BUDGET
<b>Total Revenue</b>	7.138.786.183	7.146.186.183	2.214.033	7.148.400.216	7.642.810.411	8.228.617.399
<b>Total Operating Expenditure Excluding Operating Projects</b>	6.716.422.504	6.716.422.504	0	6.716.422.504	7.191.232.493	7.705.033.563
<b>Operating Projects</b>	416.159.483	423.559.483	2.214.033	425.773.516	449.119.371	520.352.948
<b>Total Operating Expenditure Including Operating Projects</b>	7.132.581.987	7.139.981.987	2.214.033	7.142.196.020	7.640.351.864	8.225.386.511
<b>Surplus / (Deficit)</b>	6.204.196	6.204.196	0	6.204.196	2.458.547	3.230.888
<b>Total Capital Expenditure</b>	1.900.810.250	2.233.410.250	-4.514.033	2.228.896.217	1.936.159.755	2.054.858.792
<b>Total Opex and Capex Budget</b>	9.033.392.237	9.373.392.237	-2.300.000	9.371.092.237	9.576.511.619	10.280.245.303

## 5.4 OPERATING REVENUE FRAMEWORK

The following table (table 3) depicts an adjustment to the operating revenue budget per source. The increase in the budget for operating revenue of R2 214 033 is resulting from mostly the re-allocation of grant funding from Operating projects to Capital projects. This amount is made up of the following adjustments:

- a) An increase in Finance Management Grant transferred from Capital projects – R169 (Finance Services)
- b) An increase in Urban Settlement Development Grant transferred from Capital projects – R4 513 864 (Infrastructure Services).
- c) A reduction in Infrastructure Skills Development Grant due to the revised allocation by National Treasury – R2 300 000 (Corporate Services).

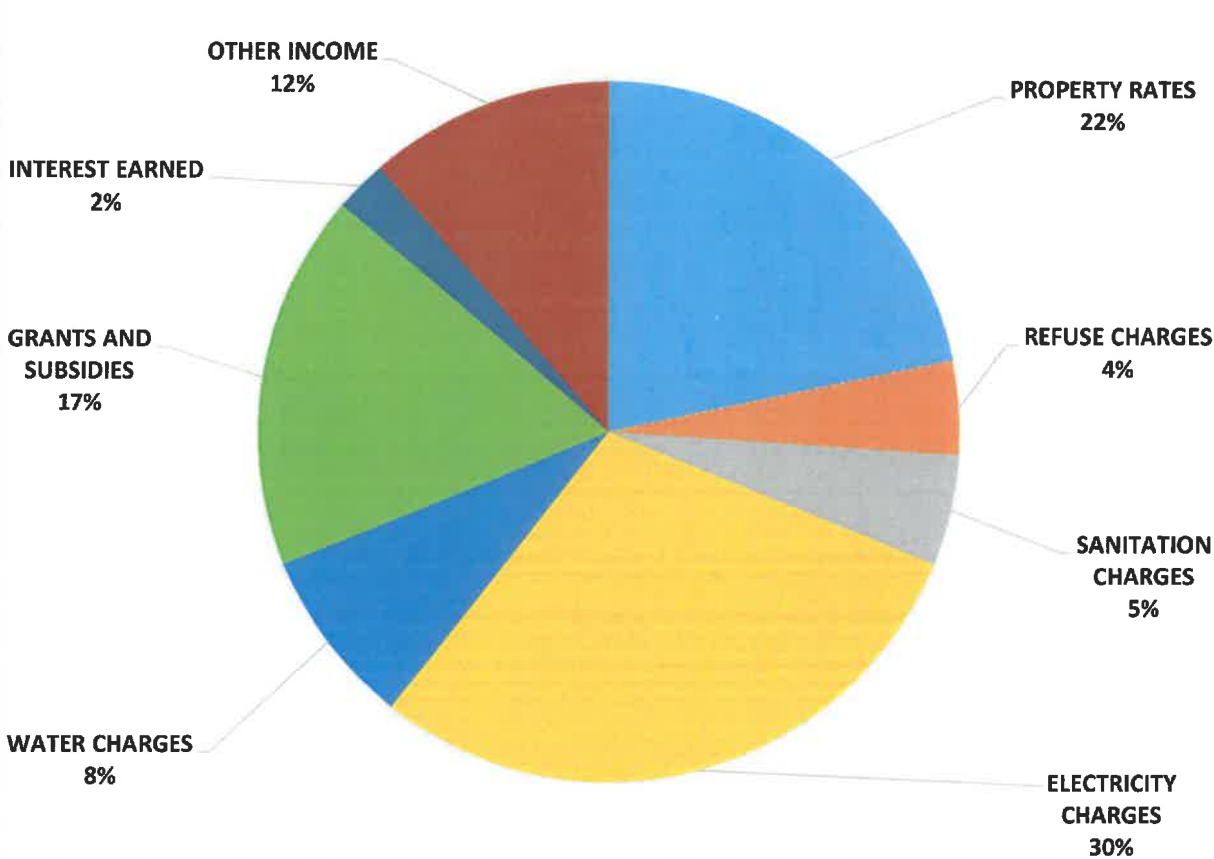
**Table 3: 2019/20 Fourth Adjusted Revenue per Source**

2019/2020 FOURTH ADJUSTMENT BUDGET REVENUE & EXPENDITURE FRAMEWORK	2019/2020 MID-YEAR ADJUSTMENT BUDGET	2019/2020 THIRD ADJUSTMENT BUDGET	ADJUST.	2019/2020 FOURTH ADJUSTMENT BUDGET
<b>Revenue by Source</b>				
Property rates	1.552.050.927	1.552.050.927	0	1.552.050.927
Service charges - electricity revenue	2.110.128.954	2.110.128.954	0	2.110.128.954
Service charges - water revenue	583.148.545	583.148.545	0	583.148.545
Service charges - sanitation revenue	363.587.047	363.587.047	0	363.587.047
Service charges - refuse revenue	310.977.934	310.977.934	0	310.977.934
Rental of facilities and equipment	19.213.628	19.213.628	0	19.213.628
Interest earned - external investments	89.553.754	89.553.754	0	89.553.754
Interest earned - outstanding debtors	80.964.733	80.964.733	0	80.964.733
Fines, penalties and forfeits	18.134.443	18.134.443	0	18.134.443
Licences and permits	15.955.025	15.955.025	0	15.955.025
Agency services	33.838.894	33.838.894	0	33.838.894
Transfers and subsidies - Operating	1.231.796.995	1.239.196.995	2.214.033	1.241.411.028
Other revenue	729.435.304	729.435.304	0	729.435.304
<b>Total Direct Operating Revenue</b>	<b>7.138.786.183</b>	<b>7.146.186.183</b>	<b>2.214.033</b>	<b>7.148.400.216</b>

The pie chart (figure 1) below depicts operating revenue budget per source. In terms of service revenue, electricity continues to be the main contributor to the revenue of the

municipality by generating 30% of the total revenue. This is followed by water tariffs at 8%, sanitation tariff at 5% and refuse tariff at 4%. Property rates revenue totals 22% of the total Municipal revenue. The municipality receives grants and subsidies totalling 17% of the total revenue, interest earned is 2% of the total revenue. Other revenue contributes 12% of the total revenue.

**Figure 1: 2019/20 Operating Revenue per Source**



## 5.5 OPERATING EXPENDITURE FRAMEWORK

The following table (table 4) details adjustments to the operating expenditure budget per category. The net increase in the budget for operating expenditure of R2 214 033 is resulting from the re-allocation of grant funding from Capital Projects to Operating projects as well as re-allocation of funding between expenditure types. The adjustments are necessary to reduce / eliminate unauthorised expenditure that is reported in the Annual Financial Statements.

**Table 4: 2019/20 Fourth Adjusted Expenditure Budget per Category**

2019/2020 FOURTH ADJUSTMENT BUDGET EXPENDITURE FRAMEWORK	2019/2020 MID-YEAR ADJUSTMENT BUDGET	2019/2020 THIRD ADJUSTMENT BUDGET	ADJUST.	2019/2020 FOURTH ADJUSTMENT BUDGET
<b>Expenditure Per Category</b>				
Employee related costs	2.263.321.782	2.263.321.782	-9.900.000	2.253.421.782
Remuneration of councillors	68.485.444	68.485.444	-3.700.000	64.785.444
Debt impairment	368.992.005	368.992.005	215.200.000	584.192.005
Depreciation & asset impairment	869.954.180	869.954.180	-98.000.000	771.954.180
Finance charges	33.003.000	33.003.000	-400.000	32.603.000
Bulk purchases:				
Electricity Bulk Purchases	1.664.825.282	1.664.825.282	-136.200.000	1.528.625.282
Water Bulk Purchases	256.536.226	256.536.226	-12.700.000	243.836.226
Contracted services	196.440.069	192.351.425	-8.900.000	183.451.425
Transfers and grants	77.711.505	72.892.032	-4.500.000	68.392.032
Repairs and Maintenance	397.610.135	391.910.085	-4.779.332	387.130.753
Operating projects	416.159.483	423.559.483	2.214.033	425.773.516
Other expenditure	449.334.239	454.195.597	50.072.580	504.268.177
Other materials	70.208.636	79.955.445	13.806.752	93.762.197
<b>Total Direct Operating Expenditure</b>	<b>7.132.581.986</b>	<b>7.139.981.986</b>	<b>2.214.033</b>	<b>7.142.196.019</b>

### **A NET INCREASE OF R2 214 033 IS DUE TO THE FOLLOWING ADJUSTMENTS:**

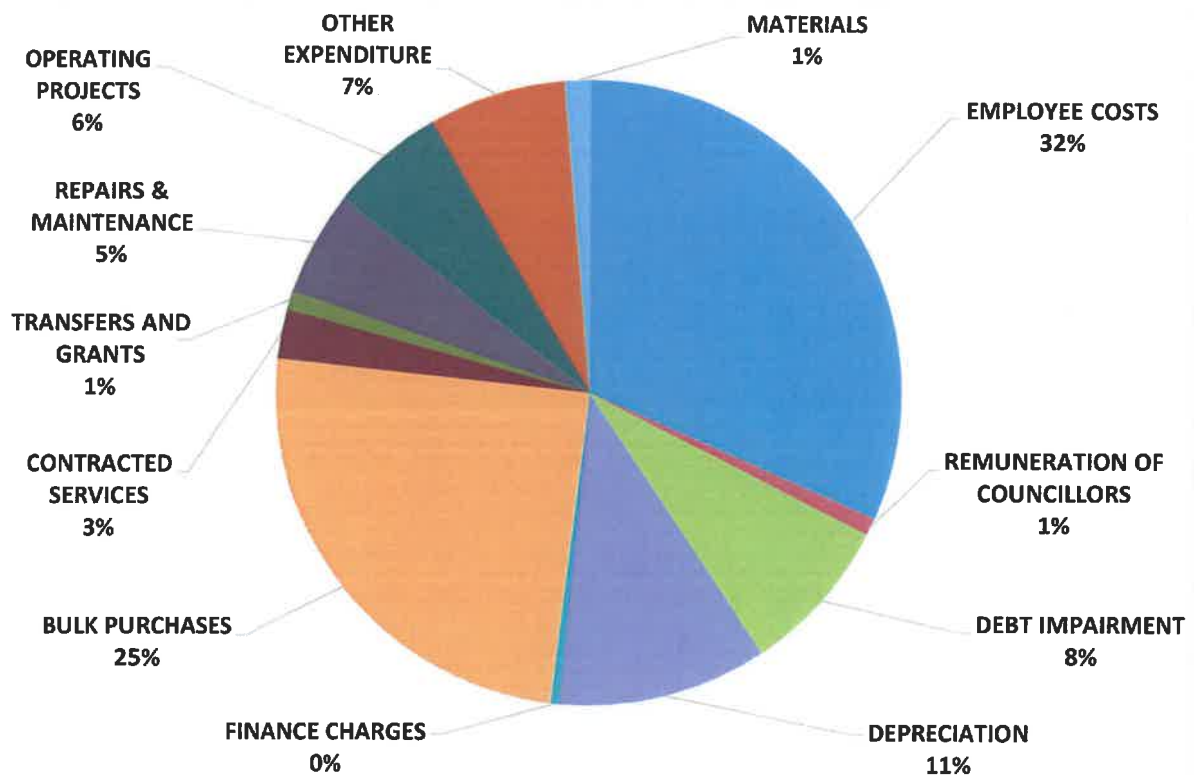
1. Reduction in Employee Related Costs by R9 900 000
2. Reduction in Remuneration of Councillors by R3 700 000
3. Increase in Debt Impairment by R215 200 000
4. Reduction in Depreciation by R98 000 000
5. Reduction in Finance charges by R400 000
6. Reduction in Bulk purchases by R148 900 000
7. Reduction in Contracted services by R8 900 000
8. Reduction in Transfers and grants by R4 500 000



- 9. Reduction in Repairs and Maintenance by R4 779 332
- 10. Increase in Operating projects by R2 214 033
- 11. Increase in Other expenditure by R50 072 580
- 12. Increase in Other Materials by R13 806 752

The pie chart (figure 2) below depicts split of operating expenditure budget per category. Employee Costs and Bulk Purchases represent the largest cost of the municipality at 32% and 25% of the total operating expenditure respectively. Depreciation totals 11% of the total cost base for the institution. This represents the proportional funding requirements for the replacement of existing infrastructure assets. General Expenses/Other Expenditure account is 7% of the total operating budget. Operating Projects and Repairs and Maintenance each account for 5% of the total operating budget. Contracted Services equal to 3% of the total operating expenditure budget. Debt Impairment accounts for 8% for the total operating budget. Finance Charges, Transfers and Grants, Materials and Remuneration of Councillors each account for 1%.

**Figure 2: 2019/20 Operating Expenditure per Type**



### 5.5.1 Fourth Budget Adjustment on Operating Projects

The following tables (table 5 and 6) tabulate adjustments to the operating projects expenditure budget per funding source and per directorate respectively.

**Table 5: 2019/20 Fourth Adjustments to Operating Projects - Funding Source**

FUNDING SOURCE	2019/2020 MID-YEAR ADJUSTMENT BUDGET	2019/2020 THIRD ADJUSTMENT BUDGET	ADJUST.	2019/2020 FOURTH ADJUSTMENT BUDGET
OWN FUNDING	135.594.495	135.594.495	0	135.594.495
<b>TOTAL OWN FUNDING</b>	<b>135.594.495</b>	<b>135.594.495</b>	<b>0</b>	<b>135.594.495</b>
URBAN SETTLEMENT DEVELOPMENT GRANT	79.442.960	86.842.960	4.513.864	91.356.824
PUBLIC TRANSPORT INFRASTRUCTURE GRANT	3.850.000	3.850.000	0	3.850.000
FINANCE MANAGEMENT GRANT	942.000	942.000	169	942.169
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	11.150.000	11.150.000	-2.300.000	8.850.000
EXPANDED PUBLIC WORKS PROGRAMME	9.956.000	9.956.000	0	9.956.000
HUMAN SETTLEMENTS DEVELOPMENT GRANT	174.788.339	174.788.339	0	174.788.339
SALAIDA C/O	435.689	435.689	0	435.689
<b>TOTAL GRANTS</b>	<b>280.564.988</b>	<b>287.964.988</b>	<b>2.214.033</b>	<b>290.179.021</b>
<b>TOTAL OPERATING PROJECTS BUDGET</b>	<b>416.159.483</b>	<b>423.559.483</b>	<b>2.214.033</b>	<b>425.773.516</b>

**Table 6: 2019/20 Fourth Adjustments to Operating Projects – Directorate**

DIRECTORATE	2019/2020 MID-YEAR ADJUSTMENT BUDGET	2019/2020 THIRD ADJUSTMENT BUDGET	ADJUST.	2019/2020 FOURTH ADJUSTMENT BUDGET
EXECUTIVE SUPPORT SERVICES	66.024.240	66.024.240	2.031.446	68.055.686
CITY MANAGER'S OFFICE	37.398.960	37.398.960	6.897.978	44.296.938
CORPORATE SERVICES	14.825.000	14.825.000	-4.800.000	10.025.000
SPATIAL PLANNING & DEVELOPMENT	14.700.944	14.700.944	-3.416.757	11.284.187
ECONOMIC DEVELOPMENT & AGENCIES	20.000.000	20.000.000	-734185	19.265.815
FINANCE SERVICES	15.742.000	15.742.000	169	15.742.169
HEALTH/PUBLIC SAFETY & EMERGENCY SERVICES	1.280.000	1.280.000	-650.000	630.000
HUMAN SETTLEMENTS	176.288.339	180.288.339	-2.565.150	177.723.189
INFRASTRUCTURE SERVICES	60.000.000	63.400.000	8.963.424	72.363.424
MUNICIPAL SERVICES	9.900.000	9.900.000	-3.512.893	6.387.107
<b>TOTAL OPERATING PROJECTS BUDGET</b>	<b>416.159.483</b>	<b>423.559.483</b>	<b>2.214.032</b>	<b>425.773.515</b>

**The adjustments show a total net decrease of R2 214 033 resulting from the following grants that were re-allocated from the operating budget to the capital budget:**

1. An increase in Finance Management Grant transferred from Capital projects – R169 (Finance Services)
2. An increase in Urban Settlement Development Grant transferred from Capital projects – R4 513 864 (Infrastructure Services).
3. A reduction in Infrastructure Skills Development Grant due to the revised allocation by National Treasury – R2 300 000 (Corporate Services).

## 5.6 CAPITAL EXPENDITURE FRAMEWORK

The tables (table 7 and 8) below indicate adjustments to the capital expenditure budget per funding source and per directorate respectively.

**Table 7: 2019/20 Fourth Adjustments to Capital Expenditure Budget – Funding**

CAPITAL BUDGET PER FUNDING	2019/2020 MID-YEAR ADJUSTMENT BUDGET	2019/2020 THIRD ADJUSTMENT BUDGET	ADJUST.	2019/2020 FOURTH ADJUSTMENT BUDGET
OWN FUNDING	909.555.722	909.555.722	0	909.555.722
<b>TOTAL OWN FUNDING</b>	<b>909.555.722</b>	<b>909.555.722</b>	<b>0</b>	<b>909.555.722</b>
LGTH C/O	1.580.488	1.580.488	0	1.580.488
BCMET	487.000	487.000	0	487.000
FINANCE MANAGEMENT GRANT	58.000	58.000	-169	57.831
URBAN SETTLEMENT DEVELOPMENT GRANT	737.980.040	1.070.580.040	-4.513.864	1.066.066.176
PUBLIC TRANSPORT INFRASTRUCTURE GRANT	230.616.000	230.616.000	0	230.616.000
INTERGRATED CITY DEVELOPMENT GRANT	10.383.000	10.383.000	0	10.383.000
NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT	10.000.000	10.000.000	0	10.000.000
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	150.000	150.000	0	150.000
<b>TOTAL GRANTS</b>	<b>991.254.528</b>	<b>1.323.854.528</b>	<b>-4.514.033</b>	<b>1.319.340.495</b>
<b>TOTAL CAPITAL BUDGET</b>	<b>1.900.810.250</b>	<b>2.233.410.250</b>	<b>-4.514.033</b>	<b>2.228.896.217</b>

**Table 8: 2019/20 Fourth Adjustments to Capital Expenditure Budget -Directorate**

CAPITAL BUDGET PER DIRECTORATE	2019/2020 MID-YEAR ADJUSTMENT BUDGET	2019/2020 THIRD ADJUSTMENT BUDGET	ADJUST.	2019/2020 FOURTH ADJUSTMENT BUDGET
EXECUTIVE SUPPORT SERVICES	3.500.000	3.500.000	0	3.500.000
CITY MANAGER'S OFFICE	6.744.045	6.744.045	0	6.744.045
CORPORATE SERVICES	46.023.896	46.023.896	0	46.023.896
SPATIAL PLANNING & DEVELOPMENT	343.462.088	359.762.088	0	359.762.088
ECONOMIC DEVELOPMENT & AGENCIES	93.721.908	113.721.908	0	113.721.908
FINANCE SERVICES	132.471.234	132.471.234	-169	132.471.065
HEALTH/PUBLIC SAFETY & EMERGENCY SERVICES	28.306.810	28.306.810	0	28.306.810
HUMAN SETTLEMENTS	252.781.590	451.781.590	0	451.781.590
INFRASTRUCTURE SERVICES	764.664.857	861.964.857	-4.513.864	857.450.993
MUNICIPAL SERVICES	226.851.822	226.851.822	0	226.851.822
<b>TOTAL CAPITAL BUDGET: BCMM</b>	<b>1.898.528.250</b>	<b>2.231.128.250</b>	<b>-4.514.033</b>	<b>2.226.614.217</b>
BCMDA	2.282.001	2.282.001	0	2.282.001
<b>TOTAL DRAFT CAPITAL: CONSOLIDATED</b>	<b>1.900.810.251</b>	<b>2.233.410.251</b>	<b>-4.514.033</b>	<b>2.228.896.218</b>

**The adjustments reflect a net decrease of R4 514 033 which is made up of the following:**

1. A reduction in Finance Management Grant transferred to Operating projects – R169 (Finance Services)
2. A reduction in Urban Settlement Development Grant transferred to Operating projects – R4 513 864 (Infrastructure Services).

Various adjustments as detailed in table 8 above were made between directorates within funding sources in order to improve operational efficiency and address unauthorised expenditure.

Detailed schedule of capital projects is attached as Annexure 2.

## **PART 2 – SUPPORTING DOCUMENTATION**

### **6. SUPPORTING DOCUMENTATION**

#### **6.1. ADJUSTMENT TO BUDGET ASSUMPTIONS**

The budget assumptions have not been adjusted as a result this adjustment budget does not have an impact on tariffs.

#### **6.2. ADJUSTMENTS TO ALLOCATIONS OR GRANTS MADE BY THE MUNICIPALITY**

There have been no new allocations or grants made by the municipality.

#### **6.3. ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN**

Section 54 (1) of the MFMA 56 of 2003 states: On receipt of a statement or report submitted by the accounting officer of the municipality in terms of section 71 or 72, the mayor must –

*(c) consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the council following approval of an adjustments budget.*

This adjustment budget is in respect of projects that are already in the IDP and SDBIP and therefore it has not been necessary revise these documents.

### **7. CHALLENGES**

None.

### **8. STAFF IMPLICATIONS**

The adjustment budget is linked to the Performance Plans of Head of Departments and are therefore responsible to spend the revised budget.

## **9. FINANCIAL IMPLICATIONS**

The 2019/2020 Fourth Adjustment Budget does not have an impact on tariffs as these are funded from current operating revenue that was already approved by Council, conditional grants and own funding reserves. The effects of the adjustments to the 2019/20 Capital and Operating Budget are outlined below:

- A. The total adjustments in the budget of the Parent municipality (BCMM) for the 2019/2020 Fourth Adjustment Budget are as follows:
  - i. An increase from R7 058 662 244 to R7 060 876 277 of the BCMM 2019/20 Operating Revenue Budget.
  - ii. An increase from R7 057 760 046 to R7 059 974 079 of the BCMM 2019/20 Operating Expenditure Budget.
  - iii. An increase from R2 231 128 248 to R2 226 614 215 of the BCMM 2019/20 Capital Budget
  
- B. The total adjustments in the Consolidated budget of the Municipality for the 2019/2020 Fourth Adjustment Budget are as follows:
  - i. An increase from R7 146 186 183 to R7 148 400 216 of the consolidated 2019/20 Operating Revenue Budget.
  - ii. An increase from R7 139 981 987 to R7 142 196 020 of the consolidated 2019/20 Operating Expenditure Budget.
  - iii. An increase from R2 233 410 250 to R2 228 896 217 of the consolidated 2019/20 Capital Budget.

## **10. OTHER PARTIES CONSULTED**

All Directorates.

## 11. CITY MANAGER'S QUALITY CERTIFICATE

I Andile Sihlahla, City Manager of Buffalo City Metropolitan Municipality, hereby certify that the adjusted budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the adjusted budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name ANDILE ARNOLD SIHLAHLA

City Manager of Buffalo City Metropolitan Municipality (BUF)

Signature 

Date 18.08.2020

**ANNEXURES:**

Annexure 1: Schedule of Operating Projects per Programme/Project

Annexure 1.1: Detailed Schedule of Operating Projects

Annexure 2: Schedule of Capital Projects per Programme/Project

Annexure 2.1: Detailed Schedule of Capital Projects

Annexure 3: National Treasury B Schedules (Parent Municipality)

Annexure 4: National Treasury B Schedules (Consolidated)